

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AGR-01 COME-00 TRSE-00 L-03
SS-15 NSC-05 SP-02 CIAE-00 INR-07 NSAE-00 OMB-01
FRB-03 OPIC-03 AID-05 IGA-02 /065 W
-----171620Z 115633 /43
R 171455Z JUN 77
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 4334
INFO AMEMBASSY DAMASCUS

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DEPT PLEASE PASS CCC

DAMASCUS FOR AGATT PITCHER

E.O. 11652: NA
TAGS: PFOR EFIN LE US
SUBJ: GOL WISHES TO BUY OUT USG SHARE OF INTRA INVESTMENT CO.

1. SUMMARY: GOL WISHES TO BUY OUT SHARES OF INTRA INVESTMENT COMPANY HELD BY COMMODITY CREDIT CORPORATION (CCC), AND HOPES TO OBTAIN FAVORABLE TERMS. AS FIRST STEP, GOL REQUESTS THAT CCC ONCE AGAIN GIVE PUBLIC NOTICE OF INTENT TO SELL ITS SHARES IN INTRA. END SUMMARY.

2. EMBOFF CALLED ON KAMAL BOHSALI, DIRECTOR, INTRA INVESTMENT COMPANY, (AND ALSO AT PRESENT DG OF MINISTRY OF INTERIOR) AT HIS REQUEST JUNE 16 TO DISCUSS INTRA INVESTMENT SITUATION. BOHSALI VERBALLY REQUESTED USG ACTION LEADING TO EVENTUAL GOL PURCHASE OF CCC SHARES.

3. BOHSALI RECAPITULATED STORY OF INTRA FOR BENEFIT OF EMBASSY OFFICER WHO WAS FAMILIAR WITH AFFAIR ONLY IN GENERAL TERMS: FOLLOWING THE 1966 INTRA BANK CRISIS, THE INTRA
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INVESTMENT COMPANY WAS ESTABLISHED IN 1970. INTRA IS A HOLDING COMPANY, CONTROLLED BY ITS FOUR MAJOR SHAREHOLDERS: GOL, THE GOVERNMENT OF KUWAIT, THE GOVERNMENT OF QATAR, AND THE US COMMODITY CREDIT CORPORATION. IN ADDITION, THERE WERE SOME 5-8000 SMALL STOCKHOLDERS, MOSTLY LEBANESE. CCC WAS A MAJOR STOCKHOLDER BECAUSE IT HAD HAD A CLAIM AGAINST INTRA

BANK WHICH HAD GUARANTEED A CREDIT OF \$45 MILLION FOR COMMODITY IMPORTS BY VICTOR MOUSSA BEFORE ITS COLLAPSE.

4. ACCORDING TO A PROTOCOL OF 1967, THE CCC INDICATED ITS DESIRE EVENTUALLY TO SELL OUT ITS SHARES IN INTRA INVESTMENT. THE OTHER THREE MAJOR STOCKHOLDERS (THE GOVERNMENTS OF LEBANON, KUWAIT AND QATAR) HAD PRIORITY OPTION TO BUY THE CCC SHARES. IN THE INTERVENING YEARS, THE CONTROLLER GENERAL OF THE CCC, ON BEHALF OF THE USG, WHICH HAD SEIZED INTRA ASSETS IN THE US, WAS PASSING THE EARNINGS OF THESE ASSETS TO THE CCC AND WRITING THEM OFF THE INITIAL \$45 MILLION DEBT. BOHSALI SAID THE CURRENT CCC PORTFOLIO HAD A BOOK VALUE OF \$9,439,937 OR 715,941 SHARES. THE THE NOMINAL VALUE PER SHARE WAS \$13.26.

5. INTRA'S PRINCIPAL HOLDINGS WERE THE FRENCH SHIPYARD LA CIOTAT (OF WHICH IT OWNED 80 PERCENT), MIDDLE EAST AIRLINES, AND THE CASINO DU LIBAN. BOHSALI SAID THAT INTRA'S INVESTMENTS IN LEBANON HAD SUFFERED ROUGHLY 20 PERCENT DAMAGE (OR ABOUT 80 MILLION LEBANESE POUNDS) AS A RESULT OF THE LEBANESE CIVIL WAR. INTRA THEREFORE WAS RIGHT NOW LOSING MONEY. BOHSALI CLAIMED THAT LA CIOTAT WAS PRESENTLY EARNING MONEY, BUT WOULD FALL INTO A DEFICIT POSITION BEGINNING IN 1978. IT WAS THEREFORE AN OPPORTUNE TIME FOR THE GOL TO BUY OUT THE CCC SHARES.

6. BOHSALI SAID THE GOL WANTED TO GAIN A DOMINANT POSITION IN INTRA. AT PRESENT, KUWAIT WAS THE LARGEST LIMITED OFFICIAL USE

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SHAREHOLDER WITH 22-23 PERCENT. IF GOL BOUGHT OUT CCC AS WELL AS A NUMBER OF SMALL SHAREHOLDERS, IT COULD BECOME OWNER OF PERHAPS 29 PERCENT OF INTRA. THE GOL WANTED TO MAKE USE OF INTRA AS AN EXPERIMENT TO DEVELOP A "MIXED SOCIETY," THAT IS, ONE PARTLY OWNED BY THE PRIVATE SECTOR AND PARTYLY BY THE GOVERNMENT, AS A PRACTICAL MOVE TOWARDS ESTABLISHMENT OF THE KIND OF NEW GOVERNMENTAL-PRIVATE ECONOMIC STRUCTURE WHICH THE SARKIS GOVERNMENT WANTED TO INSTITUTE IN LEBANON. THE GOL'S INTEREST IN BUYING OUT CCC WAS THUS ESSENTIALLY POLITICAL, RATHER THAN FINANCIAL.

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SS-15 NSC-05 SP-02 CIAE-00 INR-07 NSAE-00 OMB-01
FRB-03 OPIC-03 AID-05 IGA-02 /065 W
-----171619Z 115950 /43

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7. BOHSALI GAVE EMBOFF COPIES OF KEY DOCUMENTS
RELATIVE TO THE PRESENT GOL PROPOSAL TO THE CCC
(COPIES BEING POUCHED TO NEA/ARN): 1) "NOTICE OF
PROPOSED PUBLIC SALE OF STOCK IN INTRA INVESTMENT
COMPANY" ISSUED BY THE ACTING COMPTROLLER OF CCC IN
WASHINGTON, MAY 16, 1974 (OFFERING TO SELL 730,468
SHARES OF INTRA STOCK, REPRESENTING APPROXIMATELY SEVEN
PERCENT OF THE TOTAL STOCK OF INTRA, AND STATING A
MINIMAL ACCEPTABLE OFFER OF \$7,771,000); 2) A LETTER
FROM BOHSALI TO ROBERT WARING (FORMERLY ECONOMIC OFFICER
AT THIS EMBASSY), DATED JUNE 18, 1974 (CONFIRMING TO
WARING IN WRITING THE GOL'S EARLIER VERBAL REQUEST TO
THE CCC TO EXERCISE ITS OPTION TO PURCHASE ITS SHARES);
3) A LETTER FROM WARING TO DR. KHALIL SALEM, DIRECTOR
GENERAL OF THE LEBANESE MINISTRY OF FINANCE, DATED
DECEMBER 23, 1974 (ADVISING THAT THE USG WAS PLEASED
THAT THE GOL HAS TAKEN THE NECESSARY LEGISLATIVE STEPS
TO PURCHASE THE CCC SHARES); AND 4) A LETTER FROM WARING
TO SALEM DATED JANUARY 17, 1975 (ADVISING SALEM THAT
THE CCC HAD RECEIVED ONE OFFER IN THE AMOUNT OF
\$10,200,000 FOR THE CCC SHARES).

8. BOHSALI SAID THAT THE GOL WAS NOW AGAIN PREPARED
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UNQUESTIONABLY TO PURCHASE THE CCC'S SHARES AT THE
MAY 31, 1974, PRICE, THAT IS \$7,771,000 (OR \$10.63
PER SHARE). HE WAS EQUIVOCAL ON THE GOL WILLINGNESS
TO BUY THE SHARES IN THE RANGE BETWEEN THIS LOW AND
THE NOMINAL VALUE OF \$13.26. HE REQUESTED THAT THE
CCC ISSUE A NEW NOTICE TO SELL, TO ASCERTAIN THE
CURRENT MARKET VALUE OF THE SHARES.

9. ACTION REQUESTED: REQUEST COMMENTS FROM THE DEPARTMENT AND CCC. TO BEGIN WITH, DOES THE CCC NEED BOHSALI'S REQUEST FORMALIZED IN WRITING?

10. COMMENT: AS THE ABOVE ACCOUNT INDICATES, THE GOL AND USG WERE ON THE VERGE OF SETTLING THE INTRA AFFAIR IN JANUARY 1975, BUT THE ACT WAS NOT CONSUMMATED BECAUSE OF THE CIVIL WAR IN LEBANON. BOTH US ECONOMIC OFFICER WARING AND LEBANESE MINISTRY OF FINANCE DIRECTOR GENERAL SALEM WERE KILLED IN THAT WAR. IN LINE WITH GENERAL USG POLICY OF SUPPORT OF THE SARKIS GOVERNMENT, IT WOULD BE FITTING FOR THE USG TO BE AS FORTHCOMING ON THIS ISSUE AS POSSIBLE. EMBASSY RECOMMENDS THAT WE RESPOND PROMPTLY TO BOHSALI'S REQUEST, AND THAT THE DEPARTMENT AND CCC COOPERATE TO ARRANGE TERMS OF SALE AS FAVORABLE TO THE GOL AS LEGALLY POSSIBLE.
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Message Attributes

Automatic Decaptioning: X
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Concepts: INVESTORS, STOCKS (SECURITIES)
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Sent Date: 17-Jun-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
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Expiration:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2117801
Secure: OPEN
Status: NATIVE
Subject: GOL WISHES TO BUY OUT USG SHARE OF INTRA INVESTMENT CO.
TAGS: PFOR, EFIN, LE, US, CCC-1, INTRA INVESTMENT CO
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/e312fc7a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009